

1 I think we can go through a lot of these pretty
2 quickly, given how it was you found out about GAP
3 business.

4 It is correct, is it not, that you first
5 learned that AIG Europe U.K. was underwriting GAP
6 film finance business for New Hampshire sometime
7 early in 1998?

8 A. That's correct.

9 Q. And you learned that as a result of an
10 audit that you were conducting of the business that
11 was being written by Mr. Gumbrecht and his office?

12 A. That's correct.

13 Q. And you had no knowledge, prior to that,
14 that that type of business was being written,
15 correct?

16 A. That's correct.

17 Q. And you testified -- I'm summarizing this,
18 because I just want to go through this quickly now --
19 that when you learned about the business, it was
20 unfamiliar to you in terms of your underwriting
21 experience, and that was principally so -- no, that
22 was in part so because of the financial nature of the
23 insurance policy that was being written?

24 A. That's correct.

25 Q. And it was particularly unusual to you

1 because it had a certain guarantee aspect to it?

2 A. That's correct.

3 Q. Okay. And then you were otherwise
4 concerned about it because of the nature of the risk,
5 i.e., filmmaking and everything that goes with that?

6 A. That's correct.

7 Q. When you had your conversation with
8 Mr. Gumbrecht about the fact -- withdrawn.

9 You mentioned earlier this morning that
10 before Mr. Gumbrecht went off to London, he prepared
11 a business plan.

12 A. (Moves head up and down.)

13 Q. I take it, it's fair to say that that
14 business plan did not address the subject of GAP film
15 financing business in any way?

16 A. That's correct.

17 Q. Okay. Now, when you confronted -- and I
18 don't mean that in an adversarial way. But when you
19 first confronted Mr. Gumbrecht about the fact that
20 this business was being written and you asked him
21 about it, did you seek to determine whether he had
22 done any kind of analysis or empirical study prior to
23 beginning to write this business?

24 A. His description was that he was familiar
25 with financing in this arena because of his prior

1 background in banking.

2 Q. Familiar with film financing?

3 A. Yes.

4 Q. And --

5 A. Which made him very comfortable with the
6 components of underwriting this product.

7 Q. So the answer to my question is that you're
8 not aware of any study, empirical or otherwise, that
9 he did to validate his belief that this was a type of
10 product that the company should be writing?

11 A. He did not do a study, but he did obtain
12 loss data and analyses of the financial performance
13 of Hollywood productions over time.

14 Q. And the loss data that he obtained was in
15 connection with individual placements and in
16 connection with slate placements and information that
17 he gathered from risk managers?

18 MR. COTTON: I'll object to the form.
19 You can answer.

20 Q. (BY MR. BANNIGAN) If you know.

21 A. I'm not sure where he got the information
22 from.

23 Q. But you're not aware of any study that he
24 commissioned or he undertook himself to go out and
25 collect data and make an analysis just --

1 A. That's correct.

2 Q. Okay. And I take it, it's fair to say that
3 you're not aware that anybody in the office that
4 worked for him did that?

5 A. That's correct.

6 Q. Okay. I guess it's fair to say then that
7 there was no premium budget -- withdrawn.

8 Was there a premium budget established for
9 the entertainment division, if you will, or the
10 entertainment area of your profit center?

11 A. Yes.

12 Q. Okay. And who established that budget?

13 A. That's the end product of the budgeting
14 process, which involves -- I would write a first
15 draft of what I think we would expect, and then the
16 president of AIU and then the president of commercial
17 lines division would come back to me and give me
18 their thoughts.

19 Q. Well, in connection with your preparing --
20 this was -- withdrawn.

21 Was this an annual exercise?

22 A. Yes.

23 Q. Okay. In connection with your preparing
24 that kind of a budget, did you get input from the
25 people who reported to you --

1 A. Yes.

2 Q. -- that is, Mr. Gumbrecht, the
3 environmental people --

4 A. Yes.

5 Q. -- and the medical malpractice or the
6 medical area?

7 A. Yes.

8 Q. And was the input that you got from these
9 people broken down by specific types of risks within
10 the category that they were writing, or was it a
11 gross figure that they would give you?

12 A. It was a gross figure, the breakout. There
13 would be a breakout, but it wouldn't be on that
14 detailed a level.

15 Q. Was there anything in -- withdrawn.

16 I take it these were written presentations?

17 A. Yes.

18 Q. Now, when I say "written," given the way
19 the company works, they're either electronic -- i.e.,
20 an attachment to an E-mail -- or they were a hard
21 copy piece of paper?

22 A. Yes.

23 Q. And do you recall, during the period that
24 Mr. Gumbrecht was in London, that he did provide you
25 with his estimates or his projections as to what

1 premium income should be written --

2 A. Yes.

3 Q. -- in his area?

4 A. Yes.

5 Q. Okay.

6 MR. BANNIGAN: Call for the production
7 of those.

8 Q. (BY MR. BANNIGAN) And it's also correct,
9 is it not, that none of those presentations that you
10 received from Mr. Gumbrecht on that subject contained
11 breakouts which permitted you to determine that one
12 of the lines of business that was being written was
13 GAP film financing?

14 A. That's correct.

15 Q. Was there anybody in the day-to-day
16 operation of your profit center who functioned as an
17 information intermediary between you and
18 Mr. Gumbrecht?

19 A. No.

20 Q. So the communication was direct between you
21 and Gumbrecht?

22 A. Yes.

23 Q. No filter in the middle?

24 A. Yes.

25 Q. Now, when a risk was written in

1 Mr. Gumbrecht's area, whether it was a GAP risk or
2 any other kind of entertainment risk, was there any
3 kind of a report on that piece of business that was
4 communicated back to your office in New York?

5 A. Not on a policy level, but in an
6 aggregation of monthly written premium, yes.

7 Q. There was a monthly report?

8 A. Yes.

9 Q. And there was a written premium report?

10 A. Among other things.

11 Q. What other things did it contain?

12 A. Hit ratios -- by that I mean amount of
13 successful new business quotes versus opportunities
14 seen -- the ratio of accounts renewed versus renewal
15 opportunities; any loss development, individual large
16 losses; and market intelligence, you know, what's
17 going on in the market.

18 Q. But was there anything in these monthly
19 reports which identified the specific line of
20 business that was being written so that you could
21 say, Well, I don't understand why we wrote a million
22 dollars of premium for this particular line of
23 business?

24 A. No.

25 Q. No. It was just gross numbers?

1 A. Yes.

2 MR. BANNIGAN: In any event, we call
3 for the monthly reports.

4 Q. (BY MR. BANNIGAN) Aside from monthly
5 reports, were there any other type of periodic report
6 that you received from Mr. Gumbrecht's operation on
7 an annual basis within a year -- when I say "annual,"
8 semiannual, annual, or anything like that?

9 A. No.

10 Q. So the only -- withdrawn.

11 So the only regular periodic communication
12 that you had with Mr. Gumbrecht's operation in any
13 given year, as I understand your testimony today, is
14 the monthly premium reports and other information,
15 the information you needed in order to prepare your
16 budget? That's it?

17 A. The report you alluded to earlier was the
18 presentation of reinsurers. That was an annual
19 event.

20 Q. Oh, okay. The reinsurance, correct. The
21 presentation relating to the quota-share treaty?

22 A. But as far as my communication with
23 Peter --

24 Q. Right.

25 A. -- that also included daily phone

1 conversations.

2 Q. You spoke to him daily?

3 A. Yes.

4 Q. And in none of your conversations with him
5 prior to your audit did he ever mention to you the
6 fact that he was writing GAP film financial
7 insurance?

8 A. That's correct.

9 Q. In your conversations with Mr. Gumbrecht,
10 up to that point in time that you did your audit, was
11 he pleased with the -- did he express pleasure or
12 satisfaction with the performance of the London
13 operation?

14 A. Yes.

15 Q. And did he articulate to you, in any way,
16 why he was pleased?

17 A. Well, because he was making his numbers.

18 Q. What percentage, if you know, of the
19 business that Mr. Gumbrecht was writing, in terms of
20 premium income, was GAP film financing business?

21 A. I don't know off the top of my head, but it
22 was a minor share.

23 Q. Minor share?

24 A. Yes.

25 Q. And that's something you learned later on?

1 A. Up until the final year, where it became
2 more significant.

3 Q. When you say "the final year," what do you
4 mean by "the final year"?

5 A. 1998 when --

6 Q. You mean business that was written in 1998?

7 A. Some of it may have been bound earlier, but
8 the written premium didn't show up until 1998.

9 Q. Okay. So the premium received in 1998 was,
10 on a percentage basis, much higher than that that had
11 been received in the prior years in proportion to the
12 others?

13 A. I believe so.

14 Q. And in 1998, was it a significant number?

15 A. It was not a majority. I don't -- it might
16 have been 25 percent, but I --

17 Q. Was it a sufficiently high percentage that
18 it was noticeable?

19 A. Yes.

20 Q. And what percentage, if you can break down
21 the annual percentage of that business, was premium
22 that was written after you had directed Mr. Gumbrecht
23 not to write any more business?

24 A. A premium that showed up on the books?

25 Q. Yeah.

1 A. Probably the great majority of it.

2 Q. And --

3 MR. COTTON: I'm going to jump in for
4 clarification. When he said "premium that showed up
5 on the books," I'm not sure how that relates to
6 premium written.

7 MR. BANNIGAN: Okay.

8 Q. (BY MR. BANNIGAN) When you say premium
9 that showed up on the books, what do you mean by
10 that?

11 A. Well, there's apparently a long lag time
12 between when these things were initially bound to
13 when premium actually changed hands. So a lot of
14 this business that showed up in '98 was actually from
15 '97-bound business.

16 Q. Was there a significant amount of the
17 premium that showed up on the books, on the books as
18 a result of business that was written after you had
19 directed Mr. Gumbrecht not to write any further
20 risks?

21 A. Yes.

22 Q. Was there any requirement -- withdrawn.

23 Was there any procedure in place, while
24 Mr. Gumbrecht was in London and in Paris, which
25 required Mr. Gumbrecht or the people who -- the other

1 underwriters who were working with him to refer
2 business back to New York for approval?

3 A. Yes.

4 Q. What were the circumstances under which
5 business had to be referred back to New York for
6 approval?

7 A. There was a written authority letter which
8 described the premium size and limits involved.

9 Q. By that, was that on a per risk basis?

10 A. No. It was very broad categories.

11 Q. Broad categories of business?

12 A. Yes.

13 Q. Okay. Were there ever occasions where
14 referrals were made back, that you recall, by
15 Mr. Gumbrecht?

16 A. Yes.

17 Q. And did any of those referrals relate to
18 film finance risks?

19 A. No.

20 Q. I take it there was no limit with respect
21 to film finance risk?

22 A. Well, there was no specific mention of
23 the -- of this GAP financing in the authority letter.

24 Q. So, therefore, there was no --

25 A. There was no specific exclusion of it.

1 Q. Right. And there was, therefore, no limit
2 either which would have authorized it?

3 A. Right.

4 Q. So it was just a -- did you -- aside from
5 the fact that this business wasn't specifically
6 authorized, the extent that there were limits in
7 place for the entertainment business that he was
8 writing, did Mr. Gumbrecht ever exceed those limits?

9 A. No.

10 Q. Did Mr. Gumbrecht have a specific
11 underwriting limit that was specific to him in the
12 sense that he could write "X" amount of exposure on
13 any particular risk?

14 A. Yes. And I have to refer to the
15 underwriting authority level to tell you what that
16 might be.

17 Q. Was there a written document which spelled
18 out the underwriting authority of Mr. Gumbrecht as
19 well as the people who worked for him?

20 A. Yes.

21 Q. And where was that document prepared?

22 A. That was a letter of authority from myself
23 to Peter.

24 Q. Aside from the classes of business that he
25 wrote, did he ever exceed the authority in that

1 letter?

2 A. Not that I recall.

3 Q. Okay.

4 MR. BANNIGAN: We call for a copy of
5 the letter.

6 Q. (BY MR. BANNIGAN) Did you ever seek to
7 determine whether, with respect to GAP film financing
8 business, anybody had ever prepared guidelines as to
9 how it should be written?

10 A. No.

11 Q. Were you --

12 THE WITNESS: Can I take this
13 opportunity to take a break?

14 MR. BANNIGAN: Sure.

15 (Break was taken from 11:38 a.m. to 11:44 a.m.)

16 Q. (BY MR. BANNIGAN) My question, in case it
17 was not clear, related to written guidelines. The
18 answer is still no, correct?

19 A. Correct.

20 Q. Did you ever inquire of either
21 Mr. Gumbrecht, Mr. Green -- I guess those are the
22 only ones; you didn't talk to Filapek -- as to
23 whether there were parol guidelines for the writing
24 of GAP film finance business?

25 A. No.

1 Q. Did you ever seek to determine, from
2 Mr. Gumbrecht or Mr. Green, whether there were any
3 criteria for writing GAP film financing?

4 A. That was contained in his description of
5 the product and why it should be written.

6 Q. And he described what the criteria were in
7 that writing?

8 A. Yes.

9 Q. Do you remember what they are?

10 A. Part of it was how much the banks were
11 loaning on a particular production, the number of
12 films in the slate.

13 Q. But whatever it was, you weren't persuaded,
14 correct?

15 A. Correct.

16 Q. And neither was Mr. Lewis, correct?

17 A. Correct.

18 Q. And when I say "persuaded," you weren't
19 persuaded that this was the business that should be
20 being written by the New Hampshire?

21 A. Correct.

22 MR. COTTON: Mr. Bannigan, did you
23 intend to cut off his answer when you jumped in?

24 MR. BANNIGAN: No. Did I cut him off?

25 MR. COTTON: Could we go back to the

1 previous question about criteria?

2 MR. BANNIGAN: I didn't think I cut
3 him off, but go ahead.

4 MR. COTTON: I don't know. I could go
5 be wrong. I can't hear.

6 MR. BANNIGAN: Excuse me?

7 (Requested portion was read.)

8 MR. COTTON: I don't know whether that
9 was the end of the answer.

10 A. There were other criteria, but I'm not sure
11 I could recall them right now.

12 Q. (BY MR. BANNIGAN) Whatever they were, to
13 go back to your prior -- your previous answer, you
14 weren't persuaded that they established a proper
15 basis for this being -- this business being written
16 by New Hampshire, correct?

17 A. Right.

18 Q. Now, let me just go back very briefly. You
19 conducted an audit in early '98?

20 A. Yes.

21 Q. What was the specific reason -- I may have
22 asked you this before. If I did, I apologize for
23 going over it again. What was the specific reason
24 that you decided you needed to do an audit?

25 A. Well, most of my time had been taken up in

1 medical professional and environmental. I was not
2 devoting much time to entertainment. It had been 18
3 months, and I hadn't seen, you know, item one of what
4 Peter was doing in London, and I thought it was time.
5 Just routine.

6 Q. There was no sort of procedure in place
7 annually to review every underwriter's book of
8 business?

9 A. It was not that formal, particularly in a
10 brand new profit center.

11 Q. In other words, you got to give it time to
12 grow, so to speak?

13 A. Well, you're typically behind the curve in
14 staffing.

15 Q. And what was your staff, say, by the time
16 you did the audit? What did it consist of?

17 A. I believe, at that time, I had at least
18 one, possibly two underwriters in environmental, an
19 underwriter in medical professional. We may have had
20 more in environmental. If I add some of the existing
21 underwriters in Puerto Rico, we had more in medical
22 professional as well, so the unit was growing.

23 Q. Okay. So the underwriters that were in
24 the -- writing the other lines of business of the
25 three that you directing were not all located in New

1 York either?

2 A. No.

3 Q. Okay. They were located at other
4 facilities within the AIG group?

5 A. We had one book of business in medical
6 professional, for example, in Puerto Rico which was
7 preexisting. So there were underwriters on-site in
8 Puerto Rico.

9 Q. What about environmental?

10 A. We had no one outside of New York.

11 Q. Nothing outside of New York?

12 A. Correct, at that point.

13 Q. Okay. And the only underwriting operation
14 for the entertainment end of the business was with
15 Mr. Gumbrecht in London?

16 A. At that point, Stuart may have been on with
17 us in New York.

18 Q. Okay. Mr. Kohn?

19 A. And Mark was there in London. And I don't
20 recall when -- I guess that's really the extent of
21 the staff then.

22 Q. When Mr. Gumbrecht went to Paris, was he
23 the only underwriter there writing entertainment
24 business?

25 A. Yes and no.

1 Q. Okay. Who else was underwriting that
2 business?

3 A. There was an individual who was just
4 elevated to underwriter who worked for the company
5 manager in France -- the company manager in France.
6 The company manager in France had an affection for
7 entertainment business, considered himself something
8 of an authority and had written some business --

9 Q. This was the manager or this individual?

10 A. The individual, really, at the instruction
11 of the manager.

12 Q. And who was the manager?

13 A. Phil Schwartz.

14 Q. Was he an American?

15 A. Yes.

16 Q. Is he still with the company?

17 A. I believe so.

18 Q. In Paris?

19 A. I don't think so.

20 Q. And he had an affection for underwriting
21 entertainment business?

22 A. He had a background in it, yes.

23 Q. He did. And what kind of entertainment
24 business did he underwrite in Paris?

25 A. Prize indemnity.

1 Q. Did he write any GAP film financial
2 business that you know?

3 A. No.

4 Q. So the only person in Paris, once
5 Mr. Gumbrecht moved there, who might have been
6 writing GAP film financial business, whether
7 authorized or not, was Mr. Gumbrecht?

8 A. Yes.

9 Q. You mentioned the monthly reports; you've
10 mentioned the budget input from Mr. Gumbrecht; you
11 may have mentioned another. But were there any other
12 reports that you received from Mr. Gumbrecht about
13 what he was doing, in a written form?

14 A. As we discussed, the reinsurance
15 presentation.

16 Q. That's it?

17 A. Uh-huh, yes.

18 Q. And the only other report you got from him
19 were oral or your daily or almost daily phone
20 conversations?

21 A. Yes.

22 Q. Okay. In connection with the GenStar
23 reinsurance, did Mr. Dickson perform any tasks in
24 connection with that placement that you know of?

25 A. He would compile information and,

1 potentially, answer any specific questions on
2 specific risks that the underwriter would have.

3 Q. Do you know whether he conducted an audit
4 of the entire film finance book of business?

5 A. I believe he did.

6 Q. You believe he did?

7 A. Yes.

8 Q. And was -- do you believe that that was in
9 writing -- I mean, the end result was in writing?

10 A. I believe the end result found its way into
11 the submission to GenStar.

12 Q. Okay. Was that in addition to the
13 spreadsheet?

14 A. I don't know that it took the form of a
15 formal report, but the information that Rupert
16 gleaned from looking through our files was relayed to
17 GenStar.

18 Q. Was it relayed to them in the spreadsheet,
19 or was it relayed to them in some other way?

20 A. In the spreadsheet, in the placing slip,
21 and in the various conversations that took place
22 surrounding the placement.

23 MR. BANNIGAN: We call for the
24 production of that, Stuart, whatever it is that
25 Mr. Dickson did in connection with the GenStar

1 placement.

2 MR. COTTON: I think you've already
3 asked for the spreadsheet and the placing
4 information.

5 MR. BANNIGAN: I did. But there may
6 be other stuff that Mr. Dickson did which found its
7 way, in whole or in part, into the placement with
8 GenStar; and if there is, I'd like it.

9 MR. COTTON: Okay. What I heard might
10 be included, sounds like a lot of stuff.

11 MR. BANNIGAN: I don't disagree with
12 you.

13 MR. COTTON: All right.

14 MR. BANNIGAN: But there may be
15 additional stuff, too, but we don't know, because I
16 don't have it. That's why I'm asking for it.

17 Q. (BY MR. BANNIGAN) Do you know whether,
18 when Mr. Gumbrecht was writing GAP film financial
19 risks, he made any effort to coordinate his
20 activities with those underwriters at the Lexington
21 that were writing similar risks?

22 A. I believe he did.

23 Q. And how did you come to learn that?

24 A. Conversations after Peter left with Sal
25 Nosiferro.

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1 Q. I'm sorry. With Mr. Nosiferro?

2 A. Nosiferro.

3 Q. More than the fact that he tried to --
4 withdrawn.

5 More than the fact that he did communicate
6 with the Lexington, what else did you learn?

7 A. That they shared risks.

8 Q. And what do you mean by "shared risks"?

9 A. That they would both apply their capacity
10 to a given risk.

11 Q. And that would take some coordination then
12 between the two underwriters, correct?

13 A. Yes.

14 MR. COTTON: Object to the form.

15 Q. (BY MR. BANNIGAN) And do you know who the
16 underwriters at the Lexington were who agreed with
17 Mr. Gumbrecht to share risks --

18 A. No.

19 Q. -- by name?

20 A. No.

21 Q. Do you have in mind any specific risks that
22 they agreed to share, other than that they agreed to
23 share risks?

24 A. The risk that prompted the discussion with
25 Bob Lewis was something called Jules Verne.

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1 Q. I'm sorry?

2 A. Jules Verne.

3 Q. Jules Verne?

4 A. Yeah. And it was a risk that I believe
5 Lexington was going to issue the policy and was
6 looking for some reinsurance support from AIU.

7 Q. Which would have been written into New
8 Hampshire?

9 A. Or possibly the other way around. I'm not
10 sure.

11 Q. New Hampshire didn't do reinsurance, did
12 it?

13 A. They could on a facultative basis.

14 Q. Okay. And was that risk written, to your
15 knowledge --

16 A. No.

17 Q. -- by both New Hampshire and Lexington?

18 A. No.

19 Q. It was not. Do you know why it wasn't?

20 A. No.

21 Q. Are there any other risks that you came to
22 understand that Mr. Gumbrecht and the Lexington
23 underwriters agreed to share?

24 A. No. I believe -- I don't have specific
25 knowledge of what Lexington's participation was on

1 the accounts that we identified our exposure to be
2 on. I believe that they do have some exposure on
3 those risks as well.

4 Q. During the course of your -- withdrawn.

5 Subsequent to your audit, up until the time
6 that you left the company, what, if anything, did you
7 find out about the relationship between the New
8 Hampshire's writing of GAP film finance risks and AXA
9 Reassurance's participation in the same risks?

10 A. Nothing more than AXA was a market that was
11 really interested in this type of business and
12 participated on a lot.

13 Q. And how did you find out that they were
14 really interested in it?

15 A. From Peter.

16 Q. Did Peter, when he told you that, mention
17 any names of underwriters at AXA that were
18 particularly interested in this business?

19 A. If he did, I don't recall them.

20 Q. Did you come to learn, at some point in
21 time, that some of the risks that Peter was
22 writing -- that is, some of the GAP film financial
23 risks -- were being ceded under the quota-share
24 treaty to AXA?

25 A. Can you read that back, please?

1 Q. I'll rephrase it.

2 A. It may be a perfectly easy question to
3 answer. I'm just not sure I caught the first part.

4 Q. Did you come to learn, at some point --

5 A. At some point, anything we wrote would be
6 subject to a treaty.

7 Q. So if Peter was writing GAP film finance
8 risks, that would automatically be ceded under the
9 quota-share treaty?

10 A. That's correct.

11 Q. Okay. So that means AXA -- were you also
12 aware that AXA was writing GAP film finance risks,
13 wholly apart from what it was receiving via the
14 quota-share treaty?

15 A. Yes.

16 Q. Did you ever have any concern that AXA was
17 building up an accumulation that was perhaps
18 unhealthy of GAP film finance risks?

19 A. No.

20 Q. Did you ever come to learn the extent to
21 which AXA wrote GAP film finance risks?

22 A. I think I read a newspaper account that --
23 I don't think it quoted numbers, but left the
24 impression it was quite a lot.

25 Q. Was this after you had left AIG?

1 A. Yes.

2 Q. Okay. Had you still been with AIG at the
3 time, would that have been something that would have
4 concerned you?

5 A. It would concern me if I thought it was of
6 enough magnitude to threaten the viability of AXA as
7 a reinsurer.

8 Q. But you never had to make that judgment,
9 correct?

10 A. Correct.

11 MR. BANNIGAN: Let me -- just as a
12 slight change of pace -- mark an exhibit. Do you
13 have a clue as to what number --

14 MR. COTTON: Not a clue.

15 MR. BANNIGAN: -- we're up to? Are we
16 over 600?

17 MR. KLINE: I know that John Gordon
18 was marking exhibits in the 700 range at the Joelle
19 de LaCroix deposition last week.

20 MR. BANNIGAN: Okay. Why don't we
21 mark this as Chase 800. That way, we should be okay.

22 MR. KLINE: He started, I think, with
23 700.

24 MR. BANNIGAN: This is off the record.

25 (Exhibit Number 800 was marked.)

1 (An off-the-record discussion was held
2 at 12:02 p.m. for less than one minute.)

3 Q. (BY MR. BANNIGAN) Mr. Murphy, I'm going to
4 show you a multipage document that's been marked as
5 Chase Exhibit 800. The document is captioned
6 "Indemnity Agreement Among New Hampshire Insurance
7 Company, Acting Through Its Agent, AIG Europe,"
8 paren, "U.K.," close paren, "Limited, AXA Reassurance
9 U.K., PLC, and Destination Films" -- "Destination
10 Films Funding Corporation." Have you ever seen this
11 document before?

12 MR. COTTON: I think you said
13 indemnity. It might have been indemnification.

14 Q. (BY MR. BANNIGAN) I'm sorry.
15 "Indemnification Agreement."

16 A. No.

17 Q. Were you aware, prior to the time that you
18 left AIG, that New Hampshire had written coverage
19 involving film financing for Destination Film
20 Corporation?

21 A. Yes.

22 Q. What was your understanding -- withdrawn.
23 When did you come to understand that that
24 business had been written?

25 A. When I obtained that spreadsheet on my

1 visit to London where I demanded to get the full
2 accounting for what we had written.

3 Q. And that was in late 19 --

4 A. That was October. That was the day Peter
5 resigned.

6 Q. That was October of '98?

7 A. Yes.

8 Q. Okay. And did you make some effort to
9 determine when this business was bound?

10 A. No. I was more concerned with the fact
11 that it was bound, rather than when it was bound at
12 that point.

13 Q. Did you come to understand that it was
14 bound during the period where you had issued
15 instructions that no further film finance risk should
16 be underwritten?

17 A. Yes.

18 Q. Did that concern you?

19 A. Yes.

20 Q. Did the size of the Destination Film
21 Funding Corporation exposure concern you?

22 A. Yes.

23 Q. \$100,000,000?

24 A. (Moves head up and down.)

25 Q. When the GenStar reinsurance arrangement

1 was worked out, was the Destination Film Funding
2 Corporation one of the risks that was reinsured?

3 A. Yes.

4 Q. At the time that you left AIG, had any
5 claim been made in connection with the Destination
6 Film Funding Corporation?

7 A. No.

8 Q. Okay. When you found out that this risk
9 had been written, did New Hampshire or AIG, the
10 parent corporation, make any effort to disown this
11 business?

12 A. No.

13 Q. Why not?

14 A. When our underwriter -- any of our
15 underwriters puts his signature on a piece of
16 business, we're committed.

17 Q. So he had the apparent authority, anyway,
18 to write this when he did?

19 A. Yes.

20 MR. COTTON: I'll object to the form.
21 That's a legal term.

22 MR. BANNIGAN) I'll take the answer.
23 That's fine.

24 Q. (BY MR. BANNIGAN) To your knowledge, was
25 there in place at AIG a procedure whereby when a

1 claim -- when a policy written by New Hampshire or
2 Lexington reached a certain level, that a broad
3 notification had to be given to senior executives at
4 AIG, at your organization where you were working?

5 A. Yes.

6 Q. What was that procedure?

7 A. A large-loss report would automatically be
8 generated.

9 Q. And what was -- what was the definition, if
10 there was one, of a large-loss report?

11 A. I believe it was \$100,000, but it may have
12 been higher.

13 Q. Let me focus on -- let's go back briefly.

14 If a loss arose under a piece of business
15 that was written out of AIG Europe U.K. for New
16 Hampshire, would that loss be handled by claims
17 people in London?

18 A. Yes.

19 Q. And would those people generally have the
20 authority to resolve that claim, or was there a limit
21 on their authority?

22 A. You'd have to talk to the claim department
23 about how they structured their claim authorities.

24 Q. Okay. But when you have a large-loss
25 report, which you mentioned, did that shift

1 resolution authority back to the claims department in
2 New York or people in New York from the provinces
3 such as London?

4 A. I don't know.

5 Q. You don't know. Do you recall ever
6 receiving a large claims report in connection with a
7 GAP film financing risk?

8 A. Yes.

9 Q. Did you receive the first of those large
10 claim reports after you had conducted your original
11 audit?

12 A. Yes.

13 Q. Okay. So it was sometime after early 1998?

14 A. It was after late '98.

15 Q. Okay. I just wanted to make sure it wasn't
16 before the audit. That's all. I know when it was.

17 A. Okay. Well, why did you ask?

18 Q. Let me go back to the Destination Film
19 funding risk.

20 A. Okay.

21 Q. Was it your understanding, when you
22 discovered that this risk had been written, that
23 Peter Gumbrecht had written this risk?

24 A. Yes.

25 Q. Did you have any understanding as to

1 whether Mr. Green had had any involvement in the
2 writing of that risk?

3 A. Could you repeat the question?

4 Q. I'll rephrase it. Did you ever discuss the
5 Destination Film Funding Corporation risk with
6 Mr. Green?

7 A. No.

8 Q. In your review of the files relating to
9 that risk, did you come to learn that Mr. Green had
10 had some role in the writing of that risk, either
11 ministerial or judgmental as an underwriter?

12 A. Yes.

13 Q. And what was your understanding?

14 A. That he was instructed to sign it at
15 Peter's -- Peter's instruction.

16 Q. Now, when did -- withdrawn.

17 Mr. Gumbrecht, when did he go to Paris?
18 Late, early '98?

19 A. It was late spring, I think.

20 Q. But it was after your original audit?

21 A. Yes.

22 Q. And then he left in beginning of October,
23 roughly, of '98?

24 A. Right.

25 Q. Now, did you come to the understanding that

1 Mr. Gumbrecht had written the Destination risk while
2 he was in Paris?

3 A. Yes.

4 Q. Now, did you -- maybe we've already
5 established this early on today. When Mr. Gumbrecht
6 left, I take it you learned that he went to work for
7 Destination Films?

8 A. Eventually.

9 Q. How long a period of time elapsed, to your
10 knowledge, between the time he left AIG and started
11 working at Destination?

12 A. I don't know when he started work there. I
13 heard about it months later.

14 Q. Did you, when you heard about it, draw any
15 connection at all between the fact that he had
16 underwritten the Destination risk and the fact that
17 he was now working for Destination Films?

18 A. Did I draw any conclusions?

19 Q. Did you make any assumptions whatsoever?

20 A. I thought it was quite a coincidence.

21 Q. Was it a type of coincidence that caused
22 you concern?

23 A. I found it disturbing.

24 Q. Because you thought there was some conflict
25 of interest perhaps?

1 A. Not because I thought there was, but it
2 raises the possibility.

3 Q. Okay. I'm not saying that you had evidence
4 that there was, in fact, a conflict. But there was
5 at least the appearance of a conflict, perhaps?

6 A. Potential.

7 Q. And did you ever do anything to determine
8 whether there was more to that than simple -- simply
9 a potential that a conflict existed?

10 A. No.

11 Q. You made no investigation to determine
12 whether there was a connection between his
13 underwriting this risk and his employment with
14 Destination?

15 A. No.

16 Q. If I asked this, I apologize. Between the
17 time that you discovered that Mr. Gumbrecht was
18 writing GAP film finance risks and the time you left
19 AIG in '99, did you ever have a conversation about
20 that type of business with anybody at AXA?

21 A. No.

22 Q. Has any representative of AXA ever sought
23 to speak to you since you left AIG about GAP film
24 financial business that was written by Mr. Gumbrecht
25 out of London?

1 A. No.

2 Q. While you were with AIU and it was
3 underwriting for New Hampshire, was there any policy
4 in effect relating to fronting, if you know what I
5 mean by the term "fronting"? If you don't, then I'll
6 come back to it.

7 A. We did not typically front risks.

8 Q. Under what circumstances would AIU, using
9 the pen for New Hampshire, front a risk?

10 A. It would be a very unusual occurrence. I
11 think this is an example right here of where we wound
12 up 100 percent reinsuring, you know, this GAP
13 financing business. That turns out to be fronted.

14 Q. When you say "right here," you're talking
15 about the specific policies that are at issue in this
16 litigation?

17 A. Yes.

18 Q. Which we haven't yet discussed, though?

19 A. Yes, I'm talking about the GAP financing
20 category.

21 Q. Okay. But that's just one form of GAP
22 financing category, right? Well, let me rephrase it.

23 I mean, you don't understand that all of
24 the GAP risks that were written by Mr. Gumbrecht into
25 New Hampshire were fronted, do you?

1 A. To the extent that we have reinsured AIU's
2 net and treaty position, you could describe this
3 business as now being fronted.

4 Q. Now?

5 A. Yes.

6 Q. Let's go back to the time the business was
7 written. Okay. When the business was written, there
8 were occasions when there was a retained exposure,
9 correct?

10 A. Yes.

11 Q. Okay. Now, in those instances, although
12 it's possible, in some of those instances, they were
13 not all fronted, correct?

14 A. As you describe it, none of them were
15 fronted.

16 Q. Okay. Is it your understanding -- well,
17 what is your understanding -- and you've got far more
18 experience in this area than I have -- of fronting?

19 A. Fronting, to me, means the writing company
20 retains no risk.

21 Q. Okay. So in any instance where the writing
22 company retains some portion of the risk, there's no
23 fronting involved?

24 A. Correct.

25 Q. Okay. Based on your review of the GAP

1 risks that were written by Mr. Gumbrecht, would you
2 agree that some fall, at the time they were written,
3 into the category of risks that were fronted and some
4 in which there were retained exposures by New
5 Hampshire?

6 A. No, there were none fronted. There was
7 retained exposure on all of them.

8 Q. Okay. There were none fronted, is that
9 what you said?

10 A. That I recall.

11 Q. Okay. Are you aware of the risks that are
12 involved in this particular litigation involving two
13 policies involving George Litto?

14 A. No.

15 Q. Are you aware that there was a risk -- one
16 of the risks in this case -- in the amount of \$7.5
17 million was fronted 100 percent by New Hampshire?

18 A. Was it on the spreadsheet?

19 Q. I have no idea. You'd have to ask
20 Mr. Cotton. I've never seen it.

21 A. The name does not ring any bells with me.
22 And what we had identified as being the exposure
23 here, we had put on that spreadsheet.

24 Q. Okay. So you're -- all right. Well, if it
25 was 100 percent fronted, then it would be 100 percent

1 reinsured, correct?

2 A. Yes.

3 Q. Okay. Now, in that instance, would it not
4 have been on the spreadsheet?

5 A. I would hope that it would have been.

6 Q. Okay. Whether it was 100 percent reinsured
7 or not, you wanted to know what was written?

8 A. I wanted to know what paper we had out
9 there on these risks.

10 Q. Sure.

11 MR. COTTON: There have been a few
12 spreadsheets mentioned. I think we all know which
13 one you're talking about, but could you clarify?

14 MR. BANNIGAN: Since I've never seen
15 the spreadsheet, you're asking your witness to
16 clarify it, I guess.

17 MR. COTTON: Well, I'll ask the
18 witness.

19 MR. BANNIGAN: Well, I can't. I don't
20 know.

21 MR. COTTON: Yes, I know, but you're
22 talking about a spreadsheet, and you know quite well
23 which one you're talking about.

24 MR. BANNIGAN: I'm talking about the
25 same spreadsheet that I think the witness is speaking

1 about, which was the spreadsheet --

2 MR. COTTON: I think that's all very
3 true.

4 MR. BANNIGAN: -- that was prepared
5 when he went to London to try to find out what
6 business had actually been written.

7 MR. COTTON: Thank you, Mr. Bannigan.

8 Q. (BY MR. BANNIGAN) Is that right,
9 Mr. Murphy?

10 A. Yes.

11 Q. Okay. Now, do you recall, when you looked
12 at that spreadsheet, that there was a risk reflected
13 which showed that the New Hampshire had fronted 100
14 percent for a 7.5 million policy where the insured
15 was the Chase Manhattan Bank in respect of a working
16 capital loan for George Litto's film production
17 company?

18 A. I don't recall seeing that name. Chase's
19 name, I certainly saw, but not the George Litto
20 production company.

21 Q. Are you aware of any risks that were
22 reflected on that spreadsheet that were 100 percent
23 reinsured by AXA?

24 A. I don't believe there were, but I'm not
25 certain.

1 Q. Okay. But if you had seen a risk that was
2 100 percent reinsured by anybody, wouldn't your
3 assumption be that that was fronted?

4 A. Oh, yes.

5 Q. Okay. This spreadsheet that you looked at,
6 did it show premiums?

7 A. Yes.

8 Q. Did it show overrides?

9 A. It may have.

10 Q. If it showed an override, that would be
11 some indication that there probably was a fronting
12 involved, correct?

13 A. Well, it showed gross and net limits, so
14 that would show whether it was 100 percent fronted or
15 not.

16 THE REPORTER: It would show?

17 THE WITNESS: Gross and net limits.

18 THE REPORTER: And so that would show
19 whether?

20 THE WITNESS: Whether there were --it
21 was fronted or not.

22 Q. (BY MR. BANNIGAN) Okay. And your
23 recollection is, when you looked at that, sitting
24 here today, you don't recall whether any of the risks
25 were fronted --

1 A. That's correct.

2 Q. -- 100 percent, correct?

3 A. That's correct.

4 Q. And as you sit here today, you don't
5 recall -- withdrawn.

6 Did the risks have names by them as to who
7 the insured was --

8 A. Yes.

9 Q. -- and what the business was that was being
10 insured?

11 A. There was a named insured column.

12 Q. So it was just the name of the insured?

13 A. Yes.

14 Q. So you didn't know what exactly was
15 being -- what the underlying film was, if there was
16 one, that was being -- that was the subject of the
17 reinsurance?

18 A. No.

19 Q. Okay. So you were not aware, when you
20 looked at the spreadsheet --

21 A. Let me correct that. I think there may
22 have been a column, if it was an individual film,
23 that also included the name of the film. But to the
24 extent they were slates, it would just be five films,
25 you know.

1 Q. All right. Or maybe the name of the
2 production company, like Paramount --

3 A. Right.

4 Q. -- or Phoenix or something like that?

5 A. Right.

6 Q. Do you recall -- and this is a memory
7 exercise, and we'll find it when we get the document.
8 But do you recall the name George Litto or Litto when
9 you looked at the spreadsheet?

10 A. No, I don't recall that name.

11 Q. Okay. All right. Let me come back to
12 fronting again. You said that it was something that
13 you -- that New Hampshire, being underwritten by your
14 operation, generally did not do?

15 A. That's correct.

16 Q. When there were exceptions to that, was
17 there a procedure in place where that was supposed to
18 be cleared by New York?

19 A. No. One of the rare occasions that might
20 happen would be where a reinsurer, you know, who has
21 a good working relationship with us, needs, you know,
22 a company who's licensed to write insurance and given
23 jurisdiction to issue a policy which they, in turn,
24 would 100 percent reinsure. It's not a common
25 practice, but it's not unheard of.

1 Q. Isn't it the case that in order for New
2 Hampshire to front -- whatever the underlying risk
3 is -- the actual underwriting company -- that is,
4 the -- we'll call them the reinsurer has to be
5 approved by AIG?

6 A. Yes.

7 Q. Okay. And when reinsurance companies are
8 approved, is there some list published to the
9 underwriters, for example, in your operation of what
10 reinsurance companies those are?

11 A. That's controlled through the reinsurance
12 department. And, yes, a list would typically be
13 issued for facultative reinsurers, approved
14 facultative reinsurers.

15 Q. So the underwriter would know that -- when
16 an underwriter was buying a piece of business and
17 wanted to get reinsurance and asked the broker to
18 arrange that, if the broker came in with a company
19 that was unacceptable, the underwriter could
20 determine that, based on some list or document that
21 he or she would have available?

22 A. And common practice, to the extent that
23 we'd used the reinsurer --

24 Q. In the past?

25 A. -- in the past and they're comfortable,